

Message Text

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PAGE 01 REYKJA 01155 311514Z
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 PA-01 SP-02 SS-15 NSCE-00 SSO-00
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O R 311333Z AUG 78
FM AMEMBASSY REYKJAVIK
TO SECSTATE WASHDC IMMEDIATE 8683
INFO AMEMBASSY COPENHAGEN
AMEMBASSY OSLO
USMISSION USNATO
COMICEDEFOR KEFLAVIK IC
CINCLANT NORFOLK VA
CINCEUR VAIHINGEN GE

C O N F I D E N T I A L REYKJAVIK 1155

E.O. 11652: GDS
TAGS: PINT, IC
SUBJECT: WAY CLEARED FOR FORMATION OF NEW GOVERNMENT

REF: REYKJAVIK 1153 DTG 301620Z AUG 78 (NOTAL)

1. LAST OBSTACLES TO FORMATION OF NEW GOVERNMENT APPEAR TO HAVE BEEN CLEARED. MARATHON NEGOTIATING SESSION WAS HELD AUGUST 30 AMONG REPRESENTATIVES OF PROGRESSIVE PARTY (PP), SOCIAL DEMOCRATIC PARTY (SDP), AND PEOPLE'S ALLIANCE (PA) TO IRON OUT MOST WRINKLES IN COALITION AGREEMENT. THIS WAS FOLLOWED BY CAUCUSES WITHIN EACH OF THREE PARTIES, ALL OF WHICH THEN VOTED TO ACCEPT AGREEMENT AND ENTER GOVERNMENT.

2. PROGRESSIVES APPROVED AGREEMENT WITH ONLY ONE DISSENTING VOTE, AND PA MEETING ALSO ACCEPTED PACT BY OVERWHELMING MARGIN. HOWEVER, AS EXPECTED REFTEL, PITCHED BATTLE WAS FOUGHT WITHIN SDP CENTRAL COMMITTEE WHICH FINALLY
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VOTED TO RATIFY PACT BY MARGIN OF 30 - 12 (SEPTTEL FOLLOWS).

3. MEETING BETWEEN PP CHAIRMAN OLAFUR JOHANNESSEN AND PRESIDENT ELDJARN IS SCHEDULED FOR AFTERNOON AUGUST 31. DEPENDING ON PRESIDENT'S WISHES, NEW COALITION COULD TAKE OVER THIS AFTERNOON OR TOMORROW, SEPTEMBER 1. SENSE OF RELIEF HAS ALREADY BEEN EXPRESSED OVER

POLITICIANS' DECISION TO BREAK STALEMATE; IT IS REPORTED THAT FREEZING PLANTS DUE TO CLOSE TOMORROW WILL REMAIN OPEN AWAITING ACTION BY NEW GOVERNMENT.

4. DETAILS OF AGREEMENT MAY NOT BE KNOWN UNTIL WEEKEND. WE HAVE LEARNED, HOWEVER, THAT PARTIES AGREED THAT THERE WOULD BE NO RPT NO CHANGE IN DEFENSE AND FOREIGN POLICY AND THAT NO NEW MILITARY PROJECTS AT KEFLAVIK NATO BASE SHOULD BE UNDERTAKEN WITHOUT CONCURRENCE OF ALL COALITION PARTNERS. LATTER POINT SOUNDS LIKE CLASSIC EXAMPLE OF CONSTRUCTIVE AMBIGUITY WHOSE MEANING WE WILL EVENTUALLY HAVE TO CLARIFY FOR OUR OWN PLANNING PURPOSES. NONETHELESS, GIVEN FIRM SDP POSITION ON ICELAND DEFENSE FORCE (IDF), CONTINUED PRESENCE OF IDF DURING LIFE OF THIS GOVERNMENT SEEMS ASSURED.

5. ALLOCATION OF MINISTERIAL PORTFOLIOS HAS NOT BEEN FINALIZED ALTHOUGH IT HAS BEEN DETERMINED THAT IT WILL BE A NINE-MEMBER CABINET WITH THREE MINISTERS FROM EACH PARTY. AS REPORTED REFTTEL, PRIME MINISTER AND FOREIGN MINISTER EXPECTED TO BE OLAFUR JOHANNESSEN AND BENEDIKT GRONDAL RESPECTIVELY. PA'S GEIR GUNNARSSON HAS NOW TURNED DOWN POSITION OF MINISTER OF FINANCE, HOWEVER. BLAKE

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